

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

CHAPTER 269
HOUSE BILL 2485

AN ACT

AMENDING SECTIONS 38-644 AND 38-804, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-810.05; AMENDING SECTIONS 38-814, 38-840.06, 38-842.01 AND 38-843, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-843.06 AND 38-843.07; AMENDING SECTIONS 38-844.08, 38-846.01, 38-846.02, 38-846.04, 38-849, 38-853, 38-857, 38-866 AND 38-867, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-867.01; AMENDING SECTIONS 38-870 AND 38-870.06, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 4.2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-870.07; AMENDING SECTION 38-884, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-895.03 AND 38-900.02; RELATING TO PUBLIC RETIREMENT SYSTEMS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-644, Arizona Revised Statutes, is amended to
3 read:

4 38-644. Eligibility

5 A. Except as provided in subsections B, C and D of this section, to
6 qualify for covered benefits under the program, a person must satisfy all
7 of the following criteria:

8 1. Be an active or retired member of the public safety personnel
9 retirement system or the corrections officer retirement plan OR A
10 PARTICIPANT IN THE PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT
11 PLAN.

12 2. Be one of the following:

13 (a) A firefighter who is or was regularly assigned to hazardous
14 duty of the type normally expected of a firefighter.

15 (b) A peace officer.

16 (c) A corrections officer employed by the state department of
17 corrections or the department of juvenile corrections, a detention officer
18 employed by a county, city or town or any other member as defined in
19 section 38-881 if the department, county, city, town or participating
20 employer as defined in section 38-881 has voluntarily established a
21 program and the corrections officer, detention officer or other member as
22 defined in section 38-881 voluntarily enrolled in the program and made the
23 payments pursuant to section 38-642, subsection D.

24 3. Have cancer that was first diagnosed after the person's date of
25 membership in the public safety personnel retirement system or corrections
26 officer retirement plan OR DATE OF PARTICIPATION IN THE PUBLIC SAFETY
27 PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN.

28 B. Persons who terminate employment with a participating employer
29 are not eligible for benefits under the program unless the person has made
30 a valid claim for payment of expenses under the program before termination
31 of employment.

32 C. On retirement, persons who were either receiving benefits under
33 the program before retirement or who are diagnosed with cancer subsequent
34 to retirement remain eligible for coverage under the program for five
35 months for each year of credited service accumulated toward retirement
36 under the public safety personnel retirement system or corrections officer
37 retirement plan OR FOR FIVE MONTHS FOR EACH YEAR OF SERVICE UNDER THE
38 PUBLIC SAFETY PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN.

39 D. A person whose eligibility to receive benefits under subsection
40 C of this section is expiring may continue to remain eligible for coverage
41 under the program if the person makes an election with the board and pays
42 to the board the cost of the premium as determined by the board at the
43 time determined by the board.

44 E. A person is not eligible for benefits under the program if there
45 is any evidence that the cancer that forms the basis for a benefit claim

1 under the program existed before the person's membership in the public
2 safety personnel retirement system or corrections officer retirement plan
3 OR THE PERSON'S PARTICIPATION IN THE PUBLIC SAFETY PERSONNEL DEFINED
4 CONTRIBUTION RETIREMENT PLAN.

5 Sec. 2. Section 38-804, Arizona Revised Statutes, is amended to
6 read:

7 38-804. Membership; termination; definition

8 A. Except as otherwise provided in this section, all elected
9 officials are members of the plan, except that a state elected official
10 who is subject to term limits may elect not to participate in the plan.
11 The state elected official who is subject to term limits shall make the
12 election in writing and file the election with the board within thirty
13 days after the state elected official assumes office. The election is
14 effective on the first day of the state elected official's eligibility for
15 that term of office. The election not to participate is specific for that
16 term of office. If a state elected official who is subject to term limits
17 fails to make an election as provided in this subsection, the state
18 elected official is deemed to have elected to participate in the plan.
19 The election not to participate in the plan is irrevocable and constitutes
20 a waiver of all benefits provided by the plan for the state elected
21 official's entire term, except for any benefits accrued by the state
22 elected official in the plan for periods of participation before being
23 elected to an office subject to term limits or any benefits expressly
24 provided by law. The state elected official who elects not to participate
25 in the plan shall participate in the Arizona state retirement system
26 unless the state elected official makes an irrevocable election not to
27 participate in the Arizona state retirement system as provided in section
28 38-727.

29 B. All elected officials who are members of the plan on December
30 31, 2013 may remain members of the plan under the terms and limitations of
31 this article.

32 C. If a member who becomes a member of the plan before January 1,
33 2012 ceases to hold office for any reason other than death or retirement,
34 within twenty days after filing a completed application with the board,
35 the member is entitled to receive the following amounts, less any benefit
36 payments the member has received and any amount the member may owe to the
37 plan:

38 1. If the member has less than five years of credited service with
39 the plan, the member may withdraw the member's accumulated contributions
40 from the plan.

41 2. If the member has five or more years of credited service with
42 the plan, the member may withdraw the member's accumulated contributions
43 plus an amount equal to the amount determined as follows:

1 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
2 all member contributions deducted from the member's salary pursuant to
3 section 38-810, subsection A.

4 (b) 6.0 to 6.9 years of credited service, forty percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-810, subsection A.

7 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-810, subsection A.

10 (d) 8.0 to 8.9 years of credited service, seventy percent of all
11 member contributions deducted from the member's salary pursuant to section
12 38-810, subsection A.

13 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
14 all member contributions deducted from the member's salary pursuant to
15 section 38-810, subsection A.

16 (f) 10.0 or more years of credited service, one hundred percent of
17 all member contributions deducted from the member's salary pursuant to
18 section 38-810, subsection A.

19 D. If a member has more than ten years of credited service with the
20 plan, leaves the monies prescribed in subsection C of this section on
21 account with the plan for more than thirty days after termination of
22 employment and after that time period requests a refund of those monies,
23 the member is entitled to receive the amount prescribed in subsection ~~B~~ C
24 of this section plus interest at a rate determined by the board for each
25 year computed from and after the member's termination of employment.

26 E. If an elected official who becomes a member of the plan on or
27 after January 1, 2012 ceases to hold office for any reason other than
28 death or retirement, within twenty days after filing a completed
29 application with the board, the member may withdraw the member's
30 accumulated contributions from the plan and shall be paid the member's
31 accumulated contributions plus interest at a rate determined by the board
32 as of the date of termination, less any benefit payments the member has
33 received and any amount the member may owe to the plan.

34 F. If the amount prescribed in subsection C, D or E of this section
35 includes monies that are an eligible rollover distribution and the member
36 elects to have the distribution paid directly to an eligible retirement
37 plan or individual retirement account or annuity and specifies the
38 eligible retirement plan or individual retirement account or annuity to
39 which the distribution is to be paid, the distribution shall be made in
40 the form of a direct trustee-to-trustee transfer to the specified eligible
41 retirement plan. The distribution shall be made in the form and at the
42 time prescribed by the board. A member who receives the amount prescribed
43 in subsection C, D or E of this section from the plan or who elects a
44 transfer pursuant to this subsection forfeits the member's credited

1 service, and all rights to benefits under the plan and membership in the
2 plan terminate.

3 G. For distributions occurring from and after December 31, 2007, a
4 member or a member's beneficiary, including a nonspouse designated
5 beneficiary to the extent permitted under subsection H of this section,
6 may roll over an eligible rollover distribution as defined in section
7 402(c)(4) of the internal revenue code to a Roth individual retirement
8 account, if, for distributions occurring before January 1, 2010, the
9 member or the member's beneficiary satisfies the requirements for making a
10 roth individual retirement account contribution under section
11 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
12 the rollover. Any amount rolled over to a Roth individual retirement
13 account is included in the gross income of the member or the member's
14 beneficiary to the extent the amounts would have been included in gross
15 income if not rolled over as required under section 408A(d)(3)(A) of the
16 internal revenue code. For the purposes of this subsection, the
17 administrator is not responsible for ensuring the member or the member's
18 beneficiary is eligible to make a rollover to a Roth individual retirement
19 account.

20 H. For distributions made from and after December 31, 2009, a
21 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
22 internal revenue code may elect to directly roll over an eligible rollover
23 distribution to an individual retirement account under section 408(a) of
24 the internal revenue code or an individual retirement annuity under
25 section 408(b) of the internal revenue code that is established on behalf
26 of the designated beneficiary and that will be treated as an inherited
27 individual retirement plan pursuant to section 402(c)(11) of the internal
28 revenue code. In order to be able to roll over the distribution, the
29 distribution otherwise must satisfy the definition of an eligible rollover
30 distribution as defined in section 402(c)(4) of the internal revenue code.
31 In applying this subsection, a nonspouse rollover is ~~not~~ subject to the
32 direct rollover requirements under section 401(a)(31) of the internal
33 revenue code, the rollover notice requirements under section 402(f) of the
34 internal revenue code ~~or~~ AND the mandatory withholding requirements under
35 section 3405(c) of the internal revenue code.

36 I. For plan years occurring before January 1, 2007, the period for
37 providing the rollover notice as required under section 402(f) of the
38 internal revenue code is ~~no~~ NOT less than thirty days and ~~no~~ NOT more than
39 ninety days before the date of distribution and, for plan years beginning
40 from and after December 31, 2006, the period for providing the rollover
41 notice as required under section 402(f) of the internal revenue code is ~~no~~
42 NOT less than thirty days and ~~no~~ NOT more than one hundred eighty days
43 before the date of distribution.

44 J. In no case shall more than twelve months of credited service be
45 credited on account of all service rendered by a member in any one year.

1 K. If an elected official who has terminated the member's
2 membership in the plan pursuant to subsection C of this section is
3 subsequently elected, appointed or hired on or after January 1, 2014, the
4 elected official is not eligible to become a member of the plan but is
5 subject to article 3.1 of this chapter.

6 L. Notwithstanding subsection K of this section, if an elected
7 official files a written election form with the board within ninety days
8 after the day of the member's reemployment as an elected official and
9 repays the amount previously withdrawn pursuant to subsection C or D of
10 this section within one year after the date of the member's reemployment
11 as an elected official, with interest on that amount at the rate of nine
12 ~~per cent~~ PERCENT for each year, compounded each year from the date of
13 withdrawal to the date of repayment, credited service shall be restored.
14 Credited service shall not be restored until complete repayment is made to
15 the fund.

16 M. An elected official who is elected, appointed or hired on or
17 after January 1, 2014 and who was not a member of the plan on December 31,
18 2013 is not eligible to become a member of the plan but is subject to
19 article 3.1 of this chapter.

20 N. If a retired member subsequently becomes an elected official,
21 contributions shall not be made by the retired member and credited service
22 shall not accrue while the retired member is holding office.

23 O. In addition to subsection N of this section, if a retired member
24 subsequently becomes, by reason of election or reelection, an elected
25 official of the same office from which the member retired within a time
26 period following the member's retirement that is less than one full term
27 for that office, the member shall not receive a pension. If the elected
28 official ceases to hold the same office, the elected official is entitled
29 to receive the same pension the elected official was receiving when the
30 elected official's pension was discontinued pursuant to this subsection.
31 Nothing in this subsection prohibits a retired judge called by the supreme
32 court to active duties of a judge pursuant to section 38-813 from
33 receiving retirement benefits.

34 Sec. 3. Title 38, chapter 5, article 3, Arizona Revised Statutes,
35 is amended by adding section 38-810.05, to read:

36 38-810.05. Required distributions

37 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
38 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
39 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
40 SECRETARY OF THE TREASURY.

41 Sec. 4. Section 38-814, Arizona Revised Statutes, is amended to
42 read:

43 38-814. Termination of plan; adjustment and refund

44 A. If the plan terminates, each member's accrued benefits to the
45 date of termination become one hundred ~~per cent~~ PERCENT nonforfeitable to

1 the extent funded. After provision is made for all expenses of the plan,
2 including expenses of liquidation, the assets of the plan shall be
3 allocated by the payment or provision for the payment of benefits in the
4 following order of preference:

5 1. To pay each elected official and nonretired former elected
6 official an amount equal to his accumulated contributions.

7 2. To continue to pay pensions to retired members or their
8 beneficiaries.

9 3. To provide for potential rights of elected officials and former
10 elected officials on an equitable and nondiscriminatory basis according to
11 generally accepted actuarial principles.

12 4. To pay any excess to this state.

13 B. The allocations in subsection A **OF THIS SECTION** may be
14 implemented through the existing trust, a new trust instrument for that
15 purpose or the purchase by the board of insurance company contracts, or by
16 a combination of these methods. An elected official has no rights or
17 claims on the plan or this state beyond the capacity of the assets held by
18 the board to provide benefits in accordance with subsection A **OF THIS**
19 **SECTION**.

20 C. If the allocations produce a pension of less than twenty-five
21 dollars per month for any person, the board may pay a lump sum of
22 actuarial equivalent value in lieu of the pension.

23 **D. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER**
24 **CONTRIBUTIONS IS PAID INTO THE PLAN BY AN EMPLOYER THROUGH A MISTAKE OF**
25 **FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE**
26 **EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE**
27 **DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS**
28 **ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED**
29 **TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES**
30 **ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.**

31 Sec. 5. Section 38-840.06, Arizona Revised Statutes, is amended to
32 read:

33 **38-840.06. EODC disability program benefits**

34 **A.** In determining eligibility for and continuation of a disability
35 benefit and computing the amount available to a member, the board shall
36 follow the same procedures and methods as prescribed in section 38-806,
37 except that an elected official who no longer holds office must apply
38 within one year ~~of~~ **AFTER** terminating office and the credited service used
39 to compute the benefit shall be only the time earned while a member of the
40 elected officials' defined contribution retirement system established
41 pursuant to article 3.1 of this chapter. Payment of the disability
42 benefit will be made retroactive only to the date the board receives **AN**
43 application for the disability.

44 **B. A MEMBER WHO MEETS THE REQUIREMENTS FOR A DISABILITY PENSION AS**
45 **PRESCRIBED IN SECTION 38-806 SHALL RECEIVE A MONTHLY DISABILITY BENEFIT**

1 EQUAL TO A MONTHLY DISABILITY PENSION THAT WOULD BE PROVIDED TO A MEMBER
2 WHO WAS ELECTED, APPOINTED OR HIRED ON OR AFTER JANUARY 1, 2012 AND BEFORE
3 JANUARY 1, 2014, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED
4 VALUE OF THE MEMBER'S ANNUITY ACCOUNT UNDER ARTICLE 3.1 OF THIS CHAPTER
5 THAT DOES NOT INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE
6 BOARD. IN DETERMINING THE MONTHLY ANNUITIZED OFFSET VALUE OF THE MEMBER'S
7 ANNUITY ACCOUNT UNDER ARTICLE 3.1 OF THIS CHAPTER TO BE USED IN REDUCING
8 THE DISABILITY BENEFIT PAID PURSUANT TO THIS SUBSECTION, THE BOARD SHALL
9 INSTRUCT THE ACTUARY FOR THE ELECTED OFFICIALS' RETIREMENT PLAN TO
10 CALCULATE THE MONTHLY PAYMENT THAT WOULD BE PAID TO THE MEMBER ASSUMING
11 THE MEMBER HAD ELECTED A STRAIGHT LIFE ANNUITY COMMENCING ON THE MEMBER'S
12 DATE OF DISABILITY, USING THE MORTALITY AND INTEREST FACTORS THEN USED BY
13 THE ACTUARY IN DETERMINING THE VALUATION OF THE ELECTED OFFICIALS'
14 RETIREMENT PLAN.

15 Sec. 6. Section 38-842.01, Arizona Revised Statutes, is amended to
16 read:

17 38-842.01. Benefit election; eligibility; disability; death;
18 employees hired on or after July 1, 2017

19 A. An employee who is hired on or after July 1, 2017 and who was
20 not an active, an inactive or a retired member of the system or a member
21 of the system with a disability on June 30, 2017 is eligible to
22 participate in the system or the public safety personnel defined
23 contribution retirement plan established pursuant to article 4.1 of this
24 chapter, depending on the employee's election under this section. The
25 employee's participation in either the system or the public safety
26 personnel defined contribution retirement plan established pursuant to
27 article 4.1 of this chapter begins ninety days after the date the employee
28 is hired. Unless the elections made under this section are made before
29 the ninetieth day after the date of employment, the employee is
30 automatically enrolled in the system for the remainder of the employee's
31 employment with any employer under the system. Any election made under
32 this section is irrevocable and is the employee's election for the
33 remainder of the employee's employment with any employer under the system,
34 regardless of whether the employee's employment is continuous. The
35 employee may make one of the following irrevocable elections:

- 36 1. To participate solely in the system.
37 2. To participate solely in the public safety personnel defined
38 contribution retirement plan established pursuant to article 4.1 of this
39 chapter.

40 B. An employee who makes an election to participate solely in the
41 system or is automatically enrolled in the system pursuant to subsection A
42 of this section and who is not covered by the federal old age and
43 survivors insurance system is also enrolled in the public safety personnel
44 defined contribution retirement plan established pursuant to article 4.1
45 of this chapter during any period that the employee is not covered by the

1 federal old age and survivors insurance system through an employer under
2 the system. If such employee is subsequently covered by the federal old
3 age and survivors insurance system, the employee may not make any
4 contributions to the public safety personnel defined contribution
5 retirement plan established pursuant to article 4.1 of this chapter that
6 are described in section 38-867, subsection A, paragraph 1 or subsection B
7 during the period the employee is covered by the federal old age and
8 survivors insurance system. If at any later time the employee is not
9 covered by the federal old age and survivors insurance system through an
10 employer under the system, the employee shall again be required to
11 contribute to the public safety personnel defined contribution retirement
12 plan established pursuant to article 4.1 of this chapter as required by
13 section 38-867, subsection A, paragraph 1 and, if the employee made an
14 irrevocable election to contribute more of the employee's gross
15 pensionable compensation to the public safety personnel defined
16 contribution RETIREMENT plan as provided in section 38-867, subsection B,
17 such contributions shall be reestablished for the period the employee is
18 not covered by the federal old age and survivors insurance system.

19 C. If an employee in the employee's first ninety days of employment
20 is determined to be eligible for an accidental OR CATASTROPHIC disability
21 pension pursuant to section 38-844, the employee shall be automatically
22 enrolled in the system for the remainder of the employee's employment with
23 any employer under the system commencing on the employee's date of
24 disability and shall receive an accidental OR CATASTROPHIC disability
25 pension as prescribed in this article.

26 D. IF AN EMPLOYEE IN THE EMPLOYEE'S FIRST NINETY DAYS OF EMPLOYMENT
27 IS KILLED IN THE LINE OF DUTY OR DIES FROM INJURIES SUFFERED IN THE LINE
28 OF DUTY, THE EMPLOYEE SHALL BE CONSIDERED AS HAVING BEEN ENROLLED IN THE
29 SYSTEM AND THE SURVIVING SPOUSE OF THE DECEASED EMPLOYEE IS ELIGIBLE FOR
30 SURVIVOR BENEFITS AS PRESCRIBED IN THIS ARTICLE.

31 Sec. 7. Section 38-843, Arizona Revised Statutes, is amended to
32 read:

33 38-843. Contributions

34 A. Each employer who participates in the system on behalf of a
35 group of employees who were covered under a prior public retirement
36 system, other than the federal social security act, shall transfer all
37 securities and monies attributable to the taxes and contributions of the
38 state other than the state contribution to social security, the employer
39 and the employees for the covered group of employees under the other
40 system, such transfer to be made to the fund subject to all existing
41 liabilities and on or within sixty days following the employer's effective
42 date. All monies and securities transferred to the fund shall be credited
43 to the employer's account in the fund. A record of the market value and
44 the cost value of such transferred contributions shall be maintained for
45 actuarial and investment purposes.

1 B. As determined by actuarial valuations reported to the employer
2 and the local board by the board of trustees, each employer shall make
3 contributions sufficient under such actuarial valuations to meet both the
4 normal cost for members hired before July 1, 2017 plus the actuarially
5 determined amount required to amortize the unfunded accrued liability on a
6 level percent of compensation basis for all employees of the employer who
7 are members of the system or participants as defined in section 38-865,
8 paragraph 7, subdivision (a) over, beginning July 1, 2017, a closed period
9 of not more than twenty years, EXCEPT AS PROVIDED IN SUBSECTION I OF THIS
10 SECTION, that is established by the board of trustees taking into account
11 the recommendation of the system's actuary, except that, beginning with
12 fiscal year 2006-2007, except as otherwise provided, the employer
13 contribution rate shall not be less than eight percent of compensation.
14 For any employer whose actual contribution rate is less than eight percent
15 of compensation for fiscal year 2006-2007, that employer's contribution
16 rate is not subject to the eight percent minimum but, for fiscal year
17 2006-2007 and each year thereafter, shall be at least five percent and not
18 more than the employer's actual contribution rate. An employer shall have
19 the option of paying a higher level percent of compensation thereby
20 reducing its unfunded past service liability. An employer shall also have
21 the option of increasing its contributions in order to reduce the
22 contributions required from its members under subsection C of this
23 section, except that if an employer elects this option the employer shall
24 pay the same higher level percentage contribution for all members of the
25 eligible group. A county employer that elected to pay a higher level
26 percentage contribution rate may eliminate that higher level percentage
27 contribution rate amount for members who are hired on or after January 1,
28 2015. During a period when an employee is on industrial leave and the
29 employee elects to continue contributions during the period of industrial
30 leave, the employer shall make the contributions based on the compensation
31 the employee would have received in the employee's job classification if
32 the employee was in normal employment status. All contributions made by
33 the employers and all state taxes allocated to the fund shall be
34 irrevocable and shall be used to pay benefits under the system or to pay
35 expenses of the system and fund. The minimum employer contribution that
36 is paid and that is in excess of the normal cost plus the actuarially
37 determined amount required to amortize the unfunded accrued liability as
38 calculated pursuant to this subsection shall be used to reduce future
39 employer contribution increases and shall not be used to pay for an
40 increase in benefits that are otherwise payable to members. The board
41 shall separately account for these monies in the fund. Forfeitures
42 arising because of severance of employment before a member becomes
43 eligible for a pension or any other reason shall be applied to reduce the
44 cost of the employer, not to increase the benefits otherwise payable to
45 members. After the close of any fiscal year, if the system's actuary

1 determines that the actuarial valuation of an employer's account contains
2 excess valuation assets other than excess valuation assets that were in
3 the employer's account as of fiscal year 2004-2005 and is more than one
4 hundred percent funded, the board shall account for fifty percent of the
5 excess valuation assets in a stabilization reserve account. After the
6 close of any fiscal year, if the system's actuary determines that the
7 actuarial valuation of an employer's account has a valuation asset
8 deficiency and an unfunded actuarial accrued liability, the board shall
9 use any valuation assets in the stabilization reserve account for that
10 employer, to the extent available, to limit the decline in that employer's
11 funding ratio to not more than two percent.

12 C. Each member who was hired before July 1, 2017, throughout the
13 member's period of service from the member's effective date of
14 participation, shall contribute to the fund an amount equal to the amount
15 prescribed in subsection E of this section, except as provided in
16 subsection B of this section. Each member who was hired on or after July
17 1, 2017, throughout the member's period of service from the member's
18 effective date of participation, shall contribute to the fund an amount
19 equal to the amount prescribed in subsection G of this section. During a
20 period when an employee is on industrial leave and the employee elects to
21 continue contributions during the period of industrial leave, the employee
22 shall make the employee's contribution based on the compensation the
23 employee would have received in the employee's job classification if the
24 employee was in normal employment status. Contributions of members shall
25 be required as a condition of employment and membership in the system and
26 shall be made by payroll deductions. Every employee shall be deemed to
27 consent to such deductions. Payment of an employee's compensation, less
28 such payroll deductions, shall constitute a full and complete discharge
29 and satisfaction of all claims and demands by the employee relating to
30 remuneration for the employee's services rendered during the period
31 covered by the payment, except with respect to the benefits provided under
32 the system. A member may not, under any circumstance, borrow from, take a
33 loan against or remove contributions from the member's account before the
34 termination of membership in the plan or the receipt of a pension.

35 D. Each employer shall transfer to the board the employer and
36 employee contributions provided for in subsections B, C and G of this
37 section within ten working days after each payroll date. Contributions
38 transferred after that date shall include a penalty of ten percent per
39 annum, compounded annually, for each day the contributions are late, such
40 penalty to be paid by the employer. Delinquent payments due under this
41 subsection, together with interest charges as provided in this subsection,
42 may be recovered by action in a court of competent jurisdiction against an
43 employer liable for the payments or, at the request of the board, may be
44 deducted from any other monies, including excise revenue taxes, payable to
45 such employer by any department or agency of this state.

1 E. The amount contributed by a member who was hired before July 1,
2 2017 pursuant to subsection C of this section is:

3 1. Through June 30, 2011, 7.65 percent of the member's
4 compensation.

5 2. For fiscal year 2011-2012, 8.65 percent of the member's
6 compensation.

7 3. For fiscal year 2012-2013, 9.55 percent of the member's
8 compensation.

9 4. For fiscal year 2013-2014, 10.35 percent of the member's
10 compensation.

11 5. For fiscal year 2014-2015, 11.05 percent of the member's
12 compensation.

13 6. For fiscal year 2015-2016 and each fiscal year thereafter, 11.65
14 percent of the member's compensation or 33.3 percent of the sum of the
15 member's contribution rate from the preceding fiscal year and the
16 aggregate computed employer contribution rate that is calculated pursuant
17 to subsection B of this section, whichever is lower, except that the
18 member contribution rate shall not be less than 7.65 percent of the
19 member's compensation and the employer contribution rate shall not be less
20 than the rate prescribed in subsection B of this section.

21 F. For fiscal year 2011-2012 and each fiscal year thereafter, the
22 amount of the member's contribution that exceeds 7.65 percent of the
23 member's compensation shall not be used to reduce the employer's
24 contributions that are calculated pursuant to subsection B of this
25 section.

26 G. For members hired on or after July 1, 2017, the employer and
27 member contributions are determined as follows:

28 1. As determined by actuarial valuations reported to the employer
29 and the local board by the board of trustees, each employer shall make
30 contributions sufficient under such actuarial valuations to pay fifty
31 percent of both the normal cost plus the actuarially determined amount
32 required to amortize the total unfunded accrued liability for each
33 employer attributable only to those members hired on or after July 1,
34 2017. For each year that new unfunded liabilities are attributable to the
35 employer's own members hired on or after July 1, 2017, a new amortization
36 base representing the most recent annual gain or loss, smoothed over a
37 period not more than five years as determined by the board, shall be
38 created on a level-dollar basis over a closed period equal to the average
39 expected remaining service lives of all members but not more than ten
40 years, as determined by the board.

41 2. The remaining fifty percent of both the normal cost and
42 actuarially determined amount required to amortize the total unfunded
43 accrued liability as determined pursuant to paragraph 1 of this subsection
44 shall be divided by the total number of the employer's members who were
45 hired on or after July 1, 2017 such that each member contributes an equal

1 percentage of the member's compensation. Member contributions shall begin
2 simultaneously with membership in the system and shall be made by payroll
3 deduction.

4 H. In any fiscal year, an employer's contribution to the system in
5 combination with member contributions may not be less than the actuarially
6 determined normal cost for that fiscal year. The board may not suspend
7 contributions to the system unless both of the following apply:

8 1. The retirement system actuary, based on the annual valuation,
9 determines that continuing to accrue excess earnings could result in
10 disqualification of the system's tax-exempt status under the ~~provisions of~~
11 ~~the~~ United States internal revenue code.

12 2. The board determines that the receipt of any additional
13 contributions required under this section would conflict with its
14 fiduciary responsibility.

15 I. FOR THE PURPOSES OF CALCULATING UNFUNDED LIABILITY AMORTIZATION
16 PAYMENTS PURSUANT TO SUBSECTION B OF THIS SECTION, AN EMPLOYER MAY MAKE A
17 ONE-TIME ELECTION TO REQUEST THAT THE BOARD USE A CLOSED PERIOD OF NOT
18 MORE THAN THIRTY YEARS IF THE EMPLOYER MEETS BOTH OF THE FOLLOWING
19 REQUIREMENTS:

20 1. THE GOVERNING BODY OF THE EMPLOYER ADOPTS A RESOLUTION
21 REQUESTING THE LONGER AMORTIZATION PERIOD AND SPECIFYING THE ACTUARIAL
22 VALUATION DATE FOR WHICH THE NEW AMORTIZATION PERIOD IS TO BEGIN. THE
23 ACTUARIAL VALUATION DATE CHOSEN MUST BE THE SYSTEM'S FISCAL YEAR END
24 EITHER IMMEDIATELY BEFORE OR IMMEDIATELY AFTER THE DATE OF THE RESOLUTION.

25 2. THE EMPLOYER SUBMITS A WRITTEN REQUEST FOR THE LONGER
26 AMORTIZATION PERIOD ALONG WITH THE ADOPTED RESOLUTION TO THE ADMINISTRATOR
27 OF THE BOARD.

28 J. FOR THE PURPOSES OF SUBSECTION I OF THIS SECTION, EMPLOYER DOES
29 NOT INCLUDE THIS STATE OR ANY STATE AGENCY.

30 ~~I.~~ K. If a member's employment is terminated with an employer by
31 either party, the total liability under the system associated with the
32 member's service with the employer remains with the employer.

33 Sec. 8. Title 38, chapter 5, article 4, Arizona Revised Statutes,
34 is amended by adding sections 38-843.06 and 38-843.07, to read:

35 38-843.06. Required distributions

36 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
37 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
38 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
39 SECRETARY OF THE TREASURY.

40 38-843.07. Adjustment and refund; termination of the system

41 A. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER
42 CONTRIBUTIONS IS PAID INTO THE SYSTEM BY AN EMPLOYER THROUGH A MISTAKE OF
43 FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE

1 EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE
2 DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS
3 ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED
4 TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES
5 ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.

6 B. ON TERMINATION OR PARTIAL TERMINATION OF THE SYSTEM, THE ACCRUED
7 BENEFIT OF EACH MEMBER IS, AS OF THE DATE OF TERMINATION OR PARTIAL
8 TERMINATION, FULLY VESTED AND NONFORFEITABLE TO THE EXTENT THEN FUNDED.

9 Sec. 9. Section 38-844.08, Arizona Revised Statutes, is amended to
10 read:

11 38-844.08. Payment of deferred retirement option plan
12 benefits

13 A. On the simultaneous termination of deferred retirement option
14 plan participation and employment, a member is entitled to receive all of
15 the following:

16 1. The monthly retirement allowance in the amount determined
17 pursuant to section 38-845 that was credited monthly to the member's
18 deferred retirement option plan participation account at the date of
19 termination of deferred retirement option plan participation.

20 2. All amounts credited to the member's deferred retirement option
21 plan participation account on the effective date of termination of
22 deferred retirement option plan participation.

23 3. Interest on the amount credited pursuant to section 38-844.05,
24 subsection C, paragraph 3 at a rate equal to two percent but only if the
25 average annual return of the system over the period of years established
26 by the board for use in the calculation of the actuarial value of assets
27 is at least two percent for the previous fiscal year.

28 B. The form of payment shall be a lump sum distribution. ~~The~~
29 ~~member or the member's beneficiary may make a direct rollover of the lump~~
30 ~~sum distribution to an eligible retirement plan under the same rules~~
31 ~~specified in section 38-846.02, subsections E, F and G. THAT IS DIRECTLY~~
32 ~~DEPOSITED IN AN ACCOUNT CREATED FOR THE MEMBER IN THE PUBLIC SAFETY~~
33 ~~PERSONNEL DEFINED CONTRIBUTION RETIREMENT PLAN ESTABLISHED BY ARTICLE 4.1~~
34 ~~OF THIS CHAPTER. ON DEPOSIT OF THE LUMP SUM PAYMENT, THE MEMBER SHALL~~
35 ~~IMMEDIATELY BE ABLE TO EITHER WITHDRAW ALL OR ANY PORTION OF THE LUMP SUM~~
36 ~~DEPOSIT OR DIRECTLY TRANSFER ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT TO~~
37 ~~AN ELIGIBLE RETIREMENT PLAN AS REQUIRED BY SECTION 401(a)(31) OF THE~~
38 ~~INTERNAL REVENUE CODE.~~

39 Sec. 10. Section 38-846.01, Arizona Revised Statutes, is amended to
40 read:

41 38-846.01. Deferred annuity; exception

42 A. If any member who has at least ten years of credited service
43 terminates employment for reasons other than retirement or disability, the
44 member may elect to receive a deferred annuity, except that if the
45 annuitant withdraws all or part of the annuitant's accumulated

1 contributions in the system all rights in and to a deferred annuity shall
2 be forfeited by the annuitant. A deferred annuity is a lifetime monthly
3 payment actuarially equivalent to the annuitant's accumulated
4 contributions in the system plus an equal amount paid by the employer and
5 shall commence on application on or after the sixty-second birthday of the
6 annuitant. The annuity is not a retirement benefit and annuitants are not
7 entitled to receive any amount prescribed by section 38-845, subsection F
8 or section 38-846, ~~38-856, 38-856.02~~ 38-856.05 or 38-857.

9 B. This section does not apply to a member who becomes a member of
10 the system on or after January 1, 2012. For a member who is hired on or
11 after January 1, 2012 and before July 1, 2017, a member who attains a
12 normal retirement date is eligible for retirement and a retirement benefit
13 even if the member terminates employment with an employer before the age
14 requirement for normal retirement if the member attains the service
15 requirement for normal retirement. For a member who is hired on or after
16 July 1, 2017, a member who attains a normal retirement date is eligible
17 for retirement and a retirement benefit even if the member terminates
18 employment with an employer before the age requirement for normal
19 retirement if the member attains the credited service requirement for
20 normal retirement. Once a member described in this subsection reaches the
21 normal retirement age, the member may receive payments made under section
22 38-845.

23 Sec. 11. Section 38-846.02, Arizona Revised Statutes, is amended to
24 read:

25 38-846.02. Termination of membership

26 A. On termination of employment for any reason other than death or
27 retirement, within twenty days after filing a completed application with
28 the board, a member who becomes a member of the system before January 1,
29 2012 is entitled to receive the following amounts, less any benefit
30 payments the member has received or any amount the member may owe to the
31 system:

32 1. If the member has less than five years of credited service with
33 the system, the member may withdraw the member's accumulated contributions
34 from the system.

35 2. If the member has five or more years of credited service with
36 the system, the member may withdraw the member's accumulated contributions
37 plus an amount equal to the amount determined as follows:

38 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
39 all member contributions deducted from the member's salary pursuant to
40 section 38-843, subsection C.

41 (b) 6.0 to 6.9 years of credited service, forty percent of all
42 member contributions deducted from the member's salary pursuant to section
43 38-843, subsection C.

1 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-843, subsection C.

4 (d) 8.0 to 8.9 years of credited service, seventy percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-843, subsection C.

7 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
8 all member contributions deducted from the member's salary pursuant to
9 section 38-843, subsection C.

10 (f) 10.0 or more years of credited service, one hundred percent of
11 all member contributions deducted from the member's salary pursuant to
12 section 38-843, subsection C.

13 B. If a member who becomes a member of the system before January 1,
14 2012 has more than ten years of credited service with the system, leaves
15 the monies prescribed in subsection A of this section on account with the
16 system for more than thirty days after termination of employment and after
17 that time period requests a refund of those monies, the member is entitled
18 to receive the amount prescribed in subsection A of this section plus
19 interest at a rate determined by the board for each year computed from and
20 after the member's termination of employment.

21 C. On termination of employment for any reason other than death or
22 retirement, within twenty days after filing a completed application with
23 the board, a member who becomes a member of the system on or after January
24 1, 2012 is entitled to receive a lump sum payment equal to the member's
25 accumulated contribution plus interest at a rate determined by the board
26 as of the date of termination, less any benefit payments the member has
27 received as of the date of termination or any amount the member may owe to
28 the system.

29 D. If the amount prescribed in subsection A, B or C of this section
30 includes monies that are an eligible rollover distribution and the member
31 elects to have the distribution paid directly to an eligible retirement
32 plan or individual retirement account or annuity and specifies the
33 eligible retirement plan or individual retirement account or annuity to
34 which the distribution is to be paid, the distribution shall be made in
35 the form of a direct trustee-to-trustee transfer to the specified eligible
36 retirement plan. The distribution shall be made in the form and at the
37 time prescribed by the board. A member who withdraws the amount
38 prescribed in subsection A, B or C of this section from the system or who
39 elects a transfer pursuant to this section forfeits all rights to benefits
40 under the system and rights to rehearing and appeal, except as provided in
41 section 38-849.

42 E. For distributions occurring from and after December 31, 2007, a
43 member or a member's beneficiary, including a nonspouse designated
44 beneficiary to the extent permitted under subsection F of this section,
45 may roll over an eligible rollover distribution as defined in section

1 402(c)(4) of the internal revenue code to a Roth individual retirement
2 account, if, for distributions occurring before January 1, 2010, the
3 member or the member's beneficiary satisfies the requirements for making a
4 Roth individual retirement account contribution under section
5 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
6 the rollover. Any amount rolled over to a roth individual retirement
7 account is included in the gross income of the member or the member's
8 beneficiary to the extent the amounts would have been included in gross
9 income if not rolled over as required under section 408A(d)(3)(A) of the
10 internal revenue code. For the purposes of this subsection, the
11 administrator is not responsible for ensuring the member or the member's
12 beneficiary is eligible to make a rollover to a Roth individual retirement
13 account.

14 F. For distributions made from and after December 31, 2009, a
15 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
16 internal revenue code may elect to directly roll over an eligible rollover
17 distribution to an individual retirement account under section 408(a) of
18 the internal revenue code or an individual retirement annuity under
19 section 408(b) of the internal revenue code that is established on behalf
20 of the designated beneficiary and that will be treated as an inherited
21 individual retirement plan pursuant to section 402(c)(11) of the internal
22 revenue code. In order to be able to roll over the distribution, the
23 distribution otherwise must satisfy the definition of an eligible rollover
24 distribution as defined in section 402(c)(4) of the internal revenue
25 code. In applying this subsection, a nonspouse rollover is ~~not~~
26 the direct rollover requirements under section 401(a)(31) of the internal
27 revenue code, the rollover notice requirements under section 402(f) of the
28 internal revenue code ~~or~~ AND the mandatory withholding requirements under
29 section 3405(c) of the internal revenue code.

30 G. For plan years occurring before January 1, 2007, the period for
31 providing the rollover notice as required under section 402(f) of the
32 internal revenue code is ~~not~~ NOT less than thirty days and ~~not~~ NOT more than
33 ninety days before the date of distribution and, for plan years beginning
34 from and after December 31, 2006, the period for providing the rollover
35 notice as required under section 402(f) of the internal revenue code is ~~not~~
36 NOT less than thirty days and ~~not~~ NOT more than one hundred eighty days
37 before the date of distribution.

38 Sec. 12. Section 38-846.04, Arizona Revised Statutes, is amended to
39 read:

40 38-846.04. Reinstatement of credited service; effect of prior
41 law

42 A. A member who received a severance refund on termination of
43 employment as provided in section 38-846.02, who is subsequently
44 reemployed by an employer and who redeposits the amount withdrawn with
45 interest as provided in section 38-849 or a member who redeems prior

1 service pursuant to statute is subject to the benefits and duties in
2 effect AT THE FOLLOWING TIMES FOR THE SPECIFIED SITUATIONS:

3 1. At the time of the member's ~~most recent~~ reemployment IF THE
4 MEMBER IS REEMPLOYED BY AN EMPLOYER OTHER THAN THE SAME EMPLOYER.

5 2. AT THE TIME OF THE MEMBER'S REEMPLOYMENT IF THE MEMBER IS
6 REEMPLOYED BY THE SAME EMPLOYER AT LEAST NINETY DAYS AFTER THE DATE OF
7 TERMINATION.

8 3. AT THE TIME OF THE MEMBER'S MOST RECENT TERMINATION IF THE
9 MEMBER IS REEMPLOYED BY THE SAME EMPLOYER IN ANY CAPACITY WITHIN NINETY
10 DAYS AFTER THE DATE OF TERMINATION.

11 B. ~~This~~ Subsection A OF THIS SECTION does not apply if a court of
12 competent jurisdiction orders reinstatement of benefits and duties under a
13 prior law.

14 C. IF A MEMBER WAS INITIALLY EMPLOYED ON OR AFTER JULY 1, 2017,
15 REGARDLESS OF WHETHER THE MEMBER RECEIVED A SEVERANCE REFUND OR REDEPOSITS
16 THE AMOUNT WITHDRAWN WITH INTEREST, THE MEMBER SHALL RETURN TO THE SYSTEM
17 AS IRREVOCABLY ELECTED PURSUANT TO SECTION 38-842.01.

18 ~~B.~~ D. A member who transfers credited service from one employer to
19 another employer pursuant to section 38-853 retains the benefits and
20 duties in effect at the time of the member's transfer.

21 Sec. 13. Section 38-849, Arizona Revised Statutes, is amended to
22 read:

23 38-849. Limitations on receiving pension; violation;
24 classification; reemployment after severance;
25 reinstatement of service credits; reemployment of
26 retired member or member with a disability;
27 definition

28 A. If a member is convicted of, or discharged because of, theft,
29 embezzlement, fraud or misappropriation of an employer's property or
30 property under the control of the employer, the member shall be subject to
31 restitution and fines imposed by a court of competent jurisdiction. The
32 court may order the restitution or fines to be paid from any payments
33 otherwise payable to the member from the retirement system.

34 B. A person who knowingly makes any false statement or who
35 falsifies or permits to be falsified any record of the system with an
36 intent to defraud the system is guilty of a class 5 felony. If any change
37 or error in the records results in any member or beneficiary receiving
38 from the system more or less than the member or beneficiary would have
39 been entitled to receive had the records been correct, the local board
40 shall correct such error, and as far as practicable shall adjust the
41 payments in such manner that the actuarial equivalent of the benefit to
42 which such member or beneficiary was correctly entitled shall be paid. If
43 a member is convicted of a crime specified in this subsection, section
44 13-713 applies.

1 C. If a member who received a severance refund on termination of
2 employment pursuant to section 38-846.02 becomes reemployed with the same
3 employer within two years after the former member's termination date, the
4 member may have forfeited credited service attributable to service
5 rendered during a prior period of service as an employee restored on
6 satisfaction of each of the following conditions:

7 1. The member files with the system a written application for
8 reinstatement of forfeited credited service within ninety days after again
9 becoming an employee.

10 2. The retirement fund is paid the total amount previously
11 withdrawn pursuant to section 38-846.02 plus compound interest from the
12 date of withdrawal to the date of repayment. Interest shall be computed
13 at the rate of nine percent for each year compounded each year from the
14 date of withdrawal to the date of repayment. Forfeited credited service
15 shall not be restored until complete payment is received by the fund.

16 3. The required payment is completed within one year after
17 returning to employee status.

18 D. If a member who received a severance refund on termination of
19 employment, as provided in section 38-846.02, is subsequently reemployed
20 by an employer, the member's prior service credits shall be cancelled and
21 service shall be credited only from the date the member's most recent
22 reemployment period commenced. However, a present active member of the
23 system who forfeited credited service, received a severance refund
24 pursuant to section 38-846.02 and becomes reemployed with the same
25 employer two years or more after the member's termination date or becomes
26 reemployed with another employer may elect to redeem any part of that
27 forfeited credited service by paying into the system any amounts required
28 pursuant to this subsection. A present active member who elects to redeem
29 any part of forfeited credited service for which the member is deemed
30 eligible by the board shall pay into the system the amounts previously
31 paid or transferred to the member as a severance refund plus an amount,
32 computed by the system's actuary that is necessary to equal the increase
33 in the actuarial present value of projected benefits resulting from the
34 redemption calculated using the actuarial methods and assumptions
35 prescribed by the system's actuary. On satisfaction of this obligation
36 the member's prior service credits shall be reinstated.

37 E. If a retired member becomes reemployed in any capacity by the
38 employer from which the member retired before one year from the date of
39 retirement or in the same position at any time following retirement:

40 1. The following apply:

41 (a) Within ten days after the retired member is reemployed, the
42 local board shall advise the system in writing of the retired member's
43 reemployment.

44 (b) The system shall not make pension payments to the retired
45 member during the period of reemployment.

1 (c) Employee contributions shall not be made on the retired
2 member's account, nor shall any service be credited during the period of
3 reemployment. On subsequent termination of employment by the retired
4 member, the retired member is entitled to receive a pension based on the
5 member's service and compensation before the date of the member's
6 reemployment. The employer shall pay the alternate contribution rate
7 pursuant to section 38-843.05.

8 2. Paragraph 1, subdivisions (a) and (b) of this subsection do not
9 apply if ~~either~~ ANY OF THE FOLLOWING OCCUR:

10 (a) The retired member becomes reemployed after sixty consecutive
11 days from the member's retirement date as a result of participating in an
12 open competitive new hire process for an entry level, nonsupervisory
13 position, except if the retired member is hired for the same position.

14 (b) The retired member is hired as a fire inspector or arson
15 investigator.

16 (c) THE RETIRED MEMBER ACCEPTS A JOB REASSIGNMENT AS AN
17 ACCOMMODATION IN ACCORDANCE WITH THE AMERICANS WITH DISABILITIES ACT OF
18 1990 DUE TO A DISABILITY THAT IS DIRECTLY RELATED TO THE RETIRED MEMBER
19 BEING AWARDED AN ACCIDENTAL DISABILITY, ORDINARY DISABILITY, CATASTROPHIC
20 DISABILITY OR TEMPORARY DISABILITY BENEFIT.

21 F. If a retired member is assigned voluntary duties acting as a
22 limited authority peace officer, pursuant to the Arizona peace officer
23 standards and training board rules, employee contributions shall not be
24 made on the retired member's account, and any service shall not be
25 credited during the period of reemployment. The employer shall not pay
26 the alternate contribution rate pursuant to section 38-843.05.

27 G. If after one year from the date of retirement a retired member
28 becomes reemployed by the employer from which the member retired in a
29 position other than the same position from which the member retired,
30 employee contributions shall not be made on the retired member's account,
31 and any service shall not be credited during the period of reemployment.
32 The employer shall pay the alternate contribution rate pursuant to section
33 38-843.05.

34 H. At any time following retirement, if the retired member becomes
35 employed by an employer, other than the employer from which the member
36 retired, in a position ordinarily filled by an employee of an eligible
37 group, employee contributions shall not be made on the retired member's
38 account, and any service shall not be credited during the period of
39 reemployment. The employer shall pay the alternate contribution rate
40 pursuant to section 38-843.05.

41 I. If a member who retired under an accidental or ordinary
42 disability becomes reemployed as an employee of an eligible group, section
43 38-844 applies and a determination shall be made by the local board as to
44 whether subsection E, F, G or H of this section applies.

1 J. The local board shall review all reemployment determinations and
2 voluntary assignments as described in subsection F of this section. If
3 the local board or the system is not provided the necessary information
4 required by the system to make a reemployment determination, the local
5 board and the system shall suspend pension payments until information is
6 received and a determination is made regarding whether the reemployment
7 meets the requirements of subsection E, F, G, H or I of this section.

8 K. A person who defrauds the system or who takes, converts, steals
9 or embezzles monies owned by or from the system and who fails or refuses
10 to return the monies to the system on the board's written request is
11 subject to civil suit by the system in the superior court in Maricopa
12 county. On entry of an order finding the person has defrauded the system
13 or taken, converted, stolen or embezzled monies owned by or from the
14 system, the court shall enter an order against that person and for the
15 system awarding the system all of its costs and expenses of any kind,
16 including attorney fees, that were necessary to successfully prosecute the
17 action. The court shall also grant the system a judicial lien on all of
18 the nonexempt property of the person against whom judgment is entered
19 pursuant to this subsection in an amount equal to all amounts awarded to
20 the system, plus interest at the rate prescribed by section 44-1201, until
21 all amounts owed are paid to the system.

22 L. Notwithstanding any other provision of this article, the board
23 may offset against any benefits otherwise payable by the system to an
24 active or retired member or survivor any court ordered amounts awarded to
25 the board and system and assessed against the member or survivor.

26 M. Notwithstanding any other provision of this article, a member
27 who retires having met all of the qualifications for retirement and who
28 subsequently becomes an elected official, by election or appointment, is
29 not considered reemployed by the same employer.

30 N. For the purposes of this section, "same position" means a
31 position in which the member performs substantially similar duties that
32 were performed and exercises substantially similar authority that was
33 exercised by the retired member before retirement.

34 Sec. 14. Section 38-853, Arizona Revised Statutes, is amended to
35 read:

36 38-853. Transfer of credited service

37 ~~A.~~ A member who terminates employment with an employer and accepts
38 a position with the same or another employer participating in the system,
39 after completing an application that is acceptable to the board, shall
40 have the member's credited service transferred to the member's record with
41 the new employer provided the member leaves the member's accumulated
42 contributions on deposit with the fund. The termination of employment
43 shall not constitute a break in service. However, the period not employed
44 shall not be considered as service.

~~B. The new employer's account shall be credited with the member's accumulated contributions plus the amount, if any, necessary to equal the increase in the actuarial present value of projected benefits to the extent funded on a market value basis as of the most recent actuarial valuation resulting from the transfer as calculated by the system's actuary using the actuarial methods and assumptions adopted by the board.~~

Sec. 15. Section 38-857, Arizona Revised Statutes, is amended to read:

38-857. Group health and accident coverage for retired members; payment; forfeiture of interest

A. On notification, the board shall pay from the assets of the separate account established pursuant to subsection G of this section part of the single coverage premium of any group health and accident insurance for each retired member or survivor of the system who receives a pension and who has elected to participate in the coverage provided by section 38-651.01 or 38-782 or any other retiree health and accident insurance coverage provided or administered by a participating employer of the system OR A TAX-EXEMPT WELFARE BENEFIT TRUST DESCRIBED IN SECTION 501(c)(9) OF THE INTERNAL REVENUE CODE THAT PROVIDES FOR THE PAYMENT OF SICKNESS, ACCIDENT, HOSPITALIZATION AND MEDICAL EXPENSES AND IS DESIGNED FOR THE BENEFIT OF PUBLIC SAFETY PERSONNEL IN THIS STATE. The board shall pay up to:

1. One hundred fifty dollars per month for each retired member or survivor of the system who is not eligible for medicare.
2. One hundred dollars per month for each retired member or survivor of the system who is eligible for medicare.

B. On notification, the board shall pay from assets of the separate account established pursuant to subsection G of this section part of the family coverage premium of any group health and accident insurance each month for a benefit recipient who elects family coverage and otherwise qualifies for payment pursuant to subsection A of this section. The board shall pay up to:

1. Two hundred sixty dollars per month if the retired member or survivor of the system and one or more dependents are not eligible for medicare.
2. One hundred seventy dollars per month if the retired member or survivor of the system and one or more dependents are eligible for medicare.
3. Two hundred fifteen dollars per month if either:
 - (a) The retired member or survivor of the system is not eligible for medicare and one or more dependents are eligible for medicare.
 - (b) The retired member or survivor of the system is eligible for medicare and one or more dependents are not eligible for medicare.

1 C. The board shall not pay from assets of the fund more than the
2 amount prescribed in this section for a benefit recipient as a member or
3 survivor of the system.

4 D. A retired member or survivor of the system may elect to purchase
5 individual health care coverage and receive a payment pursuant to this
6 section through the retired member's former employer if that former
7 employer assumes the administrative functions associated with the payment,
8 including verification that the payment is used to pay for health
9 insurance coverage if the payment is made to the retired member or
10 survivor of the system.

11 E. This section does not apply to a retired member of the system
12 who becomes a member on or after September 13, 2013 and who is reemployed
13 and participates in health care coverage provided by the member's new
14 employer.

15 F. This section does not apply to a survivor of the system whose
16 deceased spouse becomes a member on or after September 13, 2013 and who is
17 reemployed and participates in health care coverage provided by the
18 survivor's new employer.

19 G. The board shall establish a separate account that consists of
20 the benefits provided in this section. The board shall deposit the
21 benefits provided by this section in the account. The board shall not use
22 or divert any part of the corpus or income of the account for any purpose
23 other than the provision of benefits pursuant to this section unless the
24 liabilities to provide the benefits pursuant to this section are
25 satisfied. If the liabilities to provide the benefits described in this
26 section are satisfied, the board shall return any amount remaining in the
27 account to the employer.

28 H. Payment of the benefits provided by this section is subject to
29 the following conditions:

30 1. The payment of the benefits is subordinate to the payment of
31 retirement benefits payable by the system.

32 2. The total of the contributions for the benefits and actual
33 contributions for life insurance protection, if any, shall not exceed
34 twenty-five percent of the total actual employer and employee
35 contributions to the system, minus the contributions to fund past service
36 credits, after the day the account is established.

37 3. The contributions by the employer to the account shall be
38 reasonable and ascertainable.

39 I. If a member who is eligible for benefits under this section
40 forfeits the member's interest in the account before the termination of
41 the plan, an amount equal to the amount of the forfeiture shall be applied
42 as soon as possible to reduce employer contributions to fund the benefits
43 provided by this section.

1 Sec. 16. Section 38-866, Arizona Revised Statutes, is amended to
2 read:

3 38-866. Defined contribution plan design; purpose; powers and
4 duties of the board; administration

5 A. The board shall establish, design and administer a defined
6 contribution plan to provide for the retirement of specified participants
7 beginning July 1, 2017.

8 B. The purpose of this article is to provide a defined contribution
9 plan that is fully funded on a current basis from employer and participant
10 contributions.

11 C. The legislature intends that the defined contribution plan for
12 participants under this article be designed to be a qualified governmental
13 plan under section 401(a) of the internal revenue code, as amended, or
14 successor provisions of law, and be exempt from taxation under section 501
15 of the internal revenue code. The board may adopt any additional
16 provision to the defined contribution plan that is necessary to fulfill
17 this intent. Consistent with this intent, the board may submit to the
18 internal revenue service a request for a determination letter that the
19 defined contribution plan is a plan qualified under section 401(a) of the
20 internal revenue code and a private letter ruling that all participant
21 contributions that are picked up by the employer as provided in section
22 38-867 shall be treated as employer contributions pursuant to section
23 414(h) of the internal revenue code.

24 D. The board shall:

25 1. Enter into a contract with a provider ~~OR PROVIDERS~~ to provide
26 ~~fully bundled~~ retirement plan investments, plan administration and
27 services to participants in the defined contribution plan. The ~~contract~~
28 ~~PLAN~~ shall provide for appropriate long-term retirement-oriented
29 investments and shall include both fixed and variable deferred ~~annuities~~
30 ~~ANNUITY OPTIONS~~. The board shall consider all of the following when
31 determining a company with which to contract:

32 (a) The financial stability of the company and the ability of the
33 company to provide the contracted rights and benefits to the participants.

34 (b) The cost of the investments, plan administration and services
35 to the participants.

36 (c) The experience of the company in providing defined contribution
37 retirement plans in lieu of defined benefit plan participation to public
38 employees.

39 (d) The experience of the company in paying retirement income to
40 public employees.

41 (e) The experience of the company in providing plan education,
42 counseling and advice to participants in public employee retirement plans
43 that are offered in lieu of state defined benefit plan participation.

44 2. Require under ~~the A~~ contract that ~~the A~~ provider provide
45 education, counseling and objective participant-specific plan advice to

1 participants. ANY PARTICIPANT-SPECIFIC ADVICE AND COUNSELING SHALL BE
2 ADMINISTERED BY A FEDERALLY REGISTERED INVESTMENT ADVISOR. THE FEDERALLY
3 REGISTERED INVESTMENT ADVISOR SHALL ACT AS A FIDUCIARY TO PARTICIPANTS AND
4 IS REQUIRED TO ACT IN THE PARTICIPANT'S BEST INTEREST.

5 3. Require under the contract that the defined contribution plan
6 include not less than five and not more than ~~fifteen~~ TWENTY-FIVE
7 predetermined investment portfolio options to participants. The
8 predetermined investment portfolio options shall include options that
9 reflect different risk profiles and options that automatically reallocate
10 and rebalance contributions as a participant ages. In addition, the
11 defined contribution plan may permit participants to construct investment
12 portfolios using some or all of the investment options comprising the
13 predetermined investment portfolio options.

14 4. Require under ~~the~~ A contract that the defined contribution
15 retirement plan offer participants a menu of lifetime annuity options,
16 either fixed or variable or a combination of both.

17 E. The board may:

18 1. Employ other services it deems necessary, including legal
19 services, for the operation and administration of the defined contribution
20 plan.

21 2. Perform all acts, whether or not expressly authorized, that it
22 deems necessary and proper for the operation and protection of the plan.

23 F. The board shall adopt policies regarding the defined
24 contribution plan, including the administration of the participant and
25 employer contributions, investment options, termination of participation
26 in the defined contribution plan, administration of the payout options
27 under the defined contribution plan and administration of the participant
28 distributions.

29 G. The board shall participate in a competitive bid process at
30 least once every five years to contract with a private person or any
31 qualified company or companies to administer the defined contribution plan
32 established pursuant to this article.

33 H. Any contract for a third-party administrator of the defined
34 contribution plan shall include competitive fees and provisions requiring
35 quarterly meetings with the system, annual updates to the board on the
36 status of the defined contribution plan and quarterly statements to each
37 participant. On or before December 31 of each year, the board shall
38 report the status of the defined contribution plan to the governor, the
39 president of the senate, the speaker of the house of representatives and
40 the joint legislative budget committee.

41 Sec. 17. Section 38-867, Arizona Revised Statutes, is amended to
42 read:

43 38-867. Contributions; member; employer; pickup

44 A. Each participant in the defined contribution plan shall
45 contribute the following percentage of the participant's gross pensionable

1 compensation by salary reduction that shall be deposited in the
2 participant's annuity account:

3 1. For a participant as defined in section 38-865, paragraph 7,
4 subdivision (b), three percent.

5 2. For a participant as defined in section 38-865, paragraph 7,
6 subdivision (a), nine percent.

7 B. A participant as defined in section 38-865 may make a one-time
8 irrevocable election, before the participant is eligible to participate in
9 any qualified plan of the employer, to contribute more than the percentage
10 of the participant's gross pensionable compensation specified in this
11 section, up to the amount allowable under section 415(c) of the internal
12 revenue code, which shall be the participant's contribution rate for the
13 remainder of the participant's employment with any employer under the
14 system.

15 C. Although designated as employee contributions, all participant
16 contributions made to the defined contribution plan shall be picked up and
17 paid by the employer in lieu of contributions by the employee. The
18 contributions picked up by an employer may be made through a reduction in
19 the participant's compensation. A participant in the defined contribution
20 plan may not choose to receive the contributed amounts directly instead of
21 the employer paying the amounts to the defined contribution plan. All
22 participant contributions that are picked up by the employer as provided
23 in this subsection shall be treated as employer contributions under
24 section 414(h) of the internal revenue code, shall be excluded from THE
25 participant's gross income for federal and state income tax purposes and
26 are includable in the gross income of the participant or the participant's
27 beneficiaries only in the taxable year in which they are distributed.

28 D. Each employer shall annually make a contribution equal to the
29 following percentages of each participant's gross pensionable
30 compensation:

31 1. For a participant defined in section 38-865, paragraph 7,
32 subdivision (b), three percent.

33 2. For a participant defined in section 38-865, paragraph 7,
34 subdivision (a), nine percent.

35 E. The pro rata share of the amount paid in subsection D of this
36 section shall be paid on each date that a participant contribution is made
37 and shall be credited to the participant's annuity account.

38 F. A participant of the defined contribution plan may not take
39 loans on any portion of the accumulated assets in the participant's
40 annuity account.

41 G. Each participant as defined in section 38-865, paragraph 7,
42 subdivision (a) and each employer shall contribute to the public safety
43 personnel defined contribution retirement plan disability program
44 established by article 4.2 of this chapter.

1 H. A participant's contributions and earnings on those
2 contributions are immediately vested. A participant is fully vested in
3 the defined contribution plan after ten years of service, with employer
4 contributions vesting at a rate of ten percent per year. **IF A PARTICIPANT**
5 **DIES BEFORE COMPLETING TEN YEARS OF SERVICE, THE EMPLOYER CONTRIBUTIONS**
6 **ARE IMMEDIATELY FULLY VESTED.**

7 Sec. 18. Title 38, chapter 5, article 4.1, Arizona Revised
8 Statutes, is amended by adding section 38-867.01, to read:

9 **38-867.01. Rollover distribution from the system; definition**

10 A. A LUMP SUM DISTRIBUTION MADE PURSUANT TO SECTION 38-844.08,
11 SUBSECTION B SHALL BE DEPOSITED IN THE ACCOUNT OF THE PARTICIPANT AS
12 DEFINED IN THIS SECTION AND MADE IMMEDIATELY AVAILABLE FOR THE PARTICIPANT
13 TO EITHER WITHDRAW ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT OR DIRECTLY
14 TRANSFER ALL OR ANY PORTION OF THE LUMP SUM DEPOSIT TO AN ELIGIBLE
15 RETIREMENT PLAN AS REQUIRED BY SECTION 401(a)(31) OF THE INTERNAL REVENUE
16 CODE.

17 B. FOR THE PURPOSES OF THIS SECTION, "PARTICIPANT" MEANS A MEMBER
18 AS DEFINED IN SECTION 38-842, PARAGRAPH 31, EXCLUDING SUBDIVISION (a),
19 ITEM (vi), WHO IS HIRED BEFORE JANUARY 1, 2012 AND WHO HAS ELECTED TO
20 ENTER THE DEFERRED RETIREMENT OPTION PLAN ESTABLISHED BY SECTION
21 38-844.02.

22 Sec. 19. Section 38-870, Arizona Revised Statutes, is amended to
23 read:

24 **38-870. Definitions**

25 In this article, unless the context otherwise requires:

26 1. "Assets" means the accumulated resources of the disability
27 program.

28 2. "Board" means the board of trustees established by section
29 38-848.

30 3. "Compensation" has the same meaning prescribed in section
31 38-842.

32 4. "Disability program" or "program" means the public safety
33 personnel defined contribution retirement plan disability program
34 established by this article.

35 **5. "LOCAL BOARD" HAS THE SAME MEANING PRESCRIBED IN SECTION 38-842.**

36 ~~5.~~ 6. "Participant" means a participant who is in the public
37 safety personnel defined contribution retirement plan and who is a
38 participant as defined in section 38-865, paragraph 7, subdivision (a).

39 ~~6.~~ 7. "Pensionable compensation" has the same meaning prescribed
40 in section 38-865.

41 Sec. 20. Section 38-870.06, Arizona Revised Statutes, is amended to
42 read:

43 **38-870.06. Disability program benefit**

44 A. The LOCAL board shall follow the same procedures and method as
45 prescribed in section 38-844 to determine eligibility for and continuation

1 of a disability benefit and in computing the amount available to the
2 participant. A PARTICIPANT IS NOT ELIGIBLE FOR A DISABILITY BENEFIT UNDER
3 THIS ARTICLE FOR AN ORDINARY DISABILITY AS DEFINED IN SECTION 38-842.

4 B. A participant who meets the requirements for a disability
5 pension as prescribed in section 38-844, EXCEPT FOR AN ORDINARY
6 DISABILITY, shall receive a monthly disability benefit equal to a monthly
7 disability pension that would be provided to a public safety personnel
8 retirement system member who is hired on or after July 1, 2017, reduced by
9 an amount equal to the monthly annuitized value of the participant's
10 annuity account under article 4.1 of this chapter that does not include a
11 cost-of-living adjustment, as determined by the board. In determining the
12 monthly annuitized offset value of the participant's annuity account under
13 article 4.1 of this chapter to be used in reducing the disability benefit
14 paid pursuant to this section, the board shall instruct ~~the ITS actuary~~
15 ~~for the public safety personnel retirement system~~ to calculate the monthly
16 payment that would be paid to the participant assuming the participant had
17 elected a straight life annuity commencing on the participant's date of
18 disability, using the mortality and interest factors then used by the
19 actuary in determining the valuation of the public safety personnel
20 retirement system.

21 Sec. 21. Title 38, chapter 5, article 4.2, Arizona Revised
22 Statutes, is amended by adding section 38-870.07, to read:

23 38-870.07. Death benefits; survivor or eligible child

24 A. IF A PARTICIPANT, AS DEFINED IN SECTION 38-865, PARAGRAPH 7,
25 SUBDIVISION (a), IS KILLED IN THE LINE OF DUTY OR DIES FROM INJURIES
26 SUFFERED IN THE LINE OF DUTY, THE LOCAL BOARD SHALL FOLLOW THE SAME
27 PROCEDURES AND METHODS AS PRESCRIBED IN SECTION 38-846 TO DETERMINE
28 ELIGIBILITY FOR AND THE CONTINUATION OF A DEATH BENEFIT TO A SURVIVING
29 SPOUSE OR ANY ELIGIBLE CHILD.

30 B. A SURVIVING SPOUSE OR ELIGIBLE CHILD OF A PARTICIPANT AS
31 SPECIFIED IN SUBSECTION A OF THIS SECTION WHO MEETS THE REQUIREMENTS FOR A
32 DEATH BENEFIT AS PRESCRIBED IN SECTION 38-846 SHALL RECEIVE A MONTHLY
33 DEATH BENEFIT EQUAL TO A MONTHLY DEATH PENSION THAT WOULD BE PROVIDED TO A
34 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM MEMBER WHO IS HIRED ON OR AFTER
35 JULY 1, 2017, REDUCED BY AN AMOUNT EQUAL TO THE MONTHLY ANNUITIZED VALUE
36 OF THE PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER
37 THAT DOES NOT INCLUDE A COST-OF-LIVING ADJUSTMENT, AS DETERMINED BY THE
38 BOARD. IN DETERMINING THE MONTHLY ANNUITIZED OFFSET VALUE OF THE
39 PARTICIPANT'S ANNUITY ACCOUNT UNDER ARTICLE 4.1 OF THIS CHAPTER TO BE USED
40 IN REDUCING THE DEATH BENEFIT PAID PURSUANT TO THIS SECTION, THE BOARD
41 SHALL INSTRUCT ITS ACTUARY TO CALCULATE THE MONTHLY PAYMENT THAT WOULD BE
42 PAID TO THE SURVIVING SPOUSE OR ELIGIBLE CHILD ASSUMING THE PARTICIPANT
43 HAD ELECTED A STRAIGHT LIFE ANNUITY COMMENCING ON THE PARTICIPANT'S DATE
44 OF DEATH, USING THE MORTALITY AND INTEREST FACTORS THEN USED BY THE

1 ACTUARY IN DETERMINING THE VALUATION OF THE PUBLIC SAFETY PERSONNEL
2 RETIREMENT SYSTEM.

3 Sec. 22. Section 38-884, Arizona Revised Statutes, is amended to
4 read:

5 38-884. Membership of retirement plan; termination; credited
6 service; redemption; reemployment

7 A. Each employee of a participating employer is a member of the
8 plan unless the employee is receiving a pension from the plan. A person
9 employed shall undergo a medical examination performed by a designated
10 physician or a physician working in a clinic that is appointed by the
11 local board or, in the case of a state correctional officer who is
12 employed by the state department of corrections, complete a physical
13 examination pursuant to section 41-1822, subsection B. For the purposes
14 of subsection B of this section, the designated physician or a physician
15 working in a clinic that is appointed by the local board may be the
16 employer's regular employee or contractor.

17 B. The purpose of the medical examination authorized by this
18 section is to identify a member's physical or mental condition or injury
19 that existed or occurred before the member's date of membership in the
20 plan. Any employee who fails or refuses to submit to the medical
21 examination prescribed in this section is deemed to waive all rights to
22 disability benefits under this article. Medical examinations conducted
23 under this article shall be conducted by a physician and shall not be
24 conducted or used for purposes of hiring, advancement, discharge, job
25 training or other terms, conditions and privileges of employment unrelated
26 to receipt or qualification for pension benefits or service credits from
27 the fund. This subsection does not affect or impair the right of an
28 employer to prescribe medical or physical standards for employees or
29 prospective employees.

30 C. If a member who becomes a member of the plan before January 1,
31 2012 ceases to be an employee for any reason other than death or
32 retirement, within twenty days after filing a completed application with
33 the board, the member is entitled to receive the following amounts, less
34 any benefit payments the member has received and any amount the member may
35 owe to the plan:

36 1. If the member has less than five years of credited service with
37 the plan, the member may withdraw the member's accumulated contributions
38 from the plan.

39 2. If the member has five or more years of credited service with
40 the plan, the member may withdraw the member's accumulated contributions
41 plus an amount equal to the amount determined as follows:

42 (a) 5.0 to 5.9 years of credited service, twenty-five percent of
43 all member contributions deducted from the member's salary pursuant to
44 section 38-891, subsection B.

1 (b) 6.0 to 6.9 years of credited service, forty percent of all
2 member contributions deducted from the member's salary pursuant to section
3 38-891, subsection B.

4 (c) 7.0 to 7.9 years of credited service, fifty-five percent of all
5 member contributions deducted from the member's salary pursuant to section
6 38-891, subsection B.

7 (d) 8.0 to 8.9 years of credited service, seventy percent of all
8 member contributions deducted from the member's salary pursuant to section
9 38-891, subsection B.

10 (e) 9.0 to 9.9 years of credited service, eighty-five percent of
11 all member contributions deducted from the member's salary pursuant to
12 section 38-891, subsection B.

13 (f) 10.0 or more years of credited service, one hundred percent of
14 all member contributions deducted from the member's salary pursuant to
15 section 38-891, subsection B.

16 D. If a member who becomes a member of the plan before January 1,
17 2012 has more than ten years of credited service with the plan, leaves the
18 monies prescribed in subsection C of this section on account with the plan
19 for more than thirty days after termination of employment and after that
20 time period requests a refund of those monies, the member is entitled to
21 receive the amount prescribed in subsection C of this section plus
22 interest at a rate determined by the board for each year computed from and
23 after the member's termination of employment.

24 E. The accumulated member contributions of a member who ceases to
25 be an employee for a reason other than death or retirement and who becomes
26 a member of the plan on or after January 1, 2012 shall be paid to the
27 member plus interest at a rate determined by the board as of the date of
28 termination within twenty days after filing with the plan a written
29 application for payment.

30 F. If the refund includes monies that are an eligible rollover
31 distribution and the member elects to have the distribution paid directly
32 to an eligible retirement plan or individual retirement account or annuity
33 and specifies the eligible retirement plan or individual retirement
34 account or annuity to which the distribution is to be paid, the
35 distribution shall be made in the form of a direct trustee-to-trustee
36 transfer to the specified eligible retirement plan. The distribution
37 shall be made in the form and at the time prescribed by the board.

38 G. For distributions occurring from and after December 31, 2007, a
39 member or a member's beneficiary, including a nonspouse designated
40 beneficiary to the extent permitted under subsection H of this section,
41 may roll over an eligible rollover distribution as defined in section
42 402(c)(4) of the internal revenue code to a Roth individual retirement
43 account, if, for distributions occurring before January 1, 2010, the
44 member or the member's beneficiary satisfies the requirements for making a
45 Roth individual retirement account contribution under section

1 408A(c)(3)(B) of the internal revenue code, as in effect on the date of
2 the rollover. Any amount rolled over to a Roth individual retirement
3 account is included in the gross income of the member or the member's
4 beneficiary to the extent the amounts would have been included in gross
5 income if not rolled over as required under section 408A(d)(3)(A) of the
6 internal revenue code. For the purposes of this subsection, the
7 administrator is not responsible for ensuring the member or the member's
8 beneficiary is eligible to make a rollover to a Roth individual retirement
9 account.

10 H. For distributions made from and after December 31, 2009, a
11 nonspouse designated beneficiary as defined in section 401(a)(9)(E) of the
12 internal revenue code may elect to directly roll over an eligible rollover
13 distribution to an individual retirement account under section 408(a) of
14 the internal revenue code or an individual retirement annuity under
15 section 408(b) of the internal revenue code that is established on behalf
16 of the designated beneficiary and that will be treated as an inherited
17 individual retirement plan pursuant to section 402(c)(11) of the internal
18 revenue code. In order to be able to roll over the distribution, the
19 distribution otherwise must satisfy the definition of an eligible rollover
20 distribution as defined in section 402(c)(4) of the internal revenue
21 code. In applying this subsection, a nonspouse rollover is ~~not~~
22 the direct rollover requirements under section 401(a)(31) of the internal
23 revenue code, the rollover notice requirements under section 402(f) of the
24 internal revenue code ~~or~~ AND the mandatory withholding requirements under
25 section 3405(c) of the internal revenue code.

26 I. For plan years occurring before January 1, 2007, the period for
27 providing the rollover notice as required under section 402(f) of the
28 internal revenue code is no less than thirty days and no more than ninety
29 days before the date of distribution and, for plan years beginning from
30 and after December 31, 2006, the period for providing the rollover notice
31 as required under section 402(f) of the internal revenue code is no less
32 than thirty days and no more than one hundred eighty days before the date
33 of distribution.

34 J. Service shall be credited to a member's individual credited
35 service account in accordance with rules the local board prescribes. In
36 no case shall more than twelve months of credited service be credited on
37 account of all service rendered by a member in any one year. In no case
38 shall service be credited for any period during which the member is not
39 employed in a designated position, except as provided by sections 38-921
40 and 38-922.

41 K. Credited service is forfeited if the amounts prescribed in
42 subsection C, D or E of this section are paid or are transferred in
43 accordance with this section.

44 L. If a former member becomes reemployed with the same employer
45 within two years after the former member's termination date, a member may

1 have forfeited credited service attributable to service rendered during a
2 prior period of service as an employee restored on satisfaction of each of
3 the following conditions:

4 1. The member files with the plan a written application for
5 reinstatement of forfeited credited service within ninety days after again
6 becoming an employee.

7 2. The retirement fund is paid the total amount previously
8 withdrawn pursuant to subsection C, D or E of this section plus compound
9 interest from the date of withdrawal to the dates of repayment. Interest
10 shall be computed at the rate of nine percent for each year compounded
11 each year from the date of withdrawal to the date of repayment. Forfeited
12 credited service shall not be restored until complete payment is received
13 by the fund.

14 3. The required payment is completed within one year after
15 returning to employee status.

16 M. If a member who receives a severance refund on termination of
17 employment pursuant to subsection C, D or E of this section is
18 subsequently reemployed by an employer, the member's prior service credits
19 are cancelled, and the board shall credit service only from the date the
20 member's most recent reemployment period commenced. However, a present
21 active member of the plan who received a refund of accumulated
22 contributions from the plan pursuant to subsection C, D or E of this
23 section, forfeited credited service pursuant to subsection K of this
24 section and becomes reemployed with the same employer two years or more
25 after the member's termination date or becomes reemployed with another
26 employer may elect to redeem any part of that forfeited credited service
27 by paying into the plan any amounts required pursuant to this subsection.
28 A present active member who elects to redeem any part of forfeited
29 credited service for which the member is deemed eligible by the board
30 shall pay into the plan the amounts previously paid or transferred as a
31 refund of the member's accumulated contributions plus an amount, computed
32 by the plan's actuary that is necessary to equal the increase in the
33 actuarial present value of projected benefits resulting from the
34 redemption calculated using the actuarial methods and assumptions
35 prescribed by the plan's actuary. On satisfaction of this obligation, the
36 board shall reinstate the member's prior service credits.

37 N. A retired member may become employed by an employer in a
38 designated position and continue to receive a pension if the employment
39 occurs at least twelve months after retirement. The retired member shall
40 not contribute to the fund and shall not accrue credited service. If a
41 retired member becomes employed by an employer in a designated position
42 before twelve months after retirement:

43 1. Payment of the retired member's pension shall be suspended until
44 the retired member again ceases to be an employee. The amount of pension

1 shall not be changed on account of service as an employee subsequent to
2 retirement.

3 2. The retired member shall not contribute to the fund and shall
4 not accrue credited service.

5 0. Notwithstanding any other provision of this article, a member
6 who retires having met all of the qualifications for retirement and who
7 subsequently becomes an elected official, by election or appointment, is
8 not considered reemployed by the same employer.

9 Sec. 23. Title 38, chapter 5, article 6, Arizona Revised Statutes,
10 is amended by adding sections 38-895.03 and 38-900.02, to read:

11 38-895.03. Required distributions

12 ALL DISTRIBUTIONS REQUIRED UNDER THIS ARTICLE SHALL BE DETERMINED
13 AND MADE PURSUANT TO SECTION 401(a)(9) OF THE INTERNAL REVENUE CODE AND
14 THE REGULATIONS THAT ARE ISSUED UNDER THAT SECTION BY THE UNITED STATES
15 SECRETARY OF THE TREASURY.

16 38-900.02. Adjustment and refund; termination of plan

17 A. IF MORE THAN THE CORRECT AMOUNT OF EMPLOYER OR MEMBER
18 CONTRIBUTIONS IS PAID INTO THE PLAN BY AN EMPLOYER THROUGH A MISTAKE OF
19 FACT, THE BOARD SHALL RETURN THOSE CONTRIBUTIONS TO THE EMPLOYER IF THE
20 EMPLOYER REQUESTS RETURN OF THE CONTRIBUTIONS WITHIN ONE YEAR AFTER THE
21 DATE OF THE OVERPAYMENT. THE BOARD MAY NOT PAY AN EMPLOYER EARNINGS
22 ATTRIBUTABLE TO EXCESS CONTRIBUTIONS BUT SHALL REDUCE THE AMOUNT RETURNED
23 TO AN EMPLOYER PURSUANT TO THIS SUBSECTION BY THE AMOUNT OF LOSSES
24 ATTRIBUTABLE TO THE EXCESS CONTRIBUTIONS.

25 B. ON TERMINATION OR PARTIAL TERMINATION OF THE PLAN, THE ACCRUED
26 BENEFIT OF EACH MEMBER IS, AS OF THE DATE OF TERMINATION OR PARTIAL
27 TERMINATION, FULLY VESTED AND NONFORFEITABLE TO THE EXTENT THEN FUNDED.

28 Sec. 24. Emergency

29 This act is an emergency measure that is necessary to preserve the
30 public peace, health or safety and is operative immediately as provided by
31 law.

APPROVED BY THE GOVERNOR MAY 3, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 3, 2017.